

NPIC/TSSG/ESD/EL-53/69  
6 June 1969

MEMORANDUM FOR: Chief, Engineering Support Division, TSSG

SUBJECT: Overrun on [ ] Task Order 22 by  
[ ]

25X1  
25X1

1. The attached memorandum lists those correspondences and conversations which I believe to be pertinent to the subject overrun.

2. The memorandum can be summarized by stating that at no time during the contract was an overrun mentioned by the contractor to either myself, the contract monitor, or [ ] the contracting officer.

25X1

3. [ ] performance under the contract was very good and in any dealing of which I was a part, they always proved to be extremely cooperative.

25X1

4. In evaluating the request for payment for the overrun there are no impediments in the area of technical performance; however, there are specific procedures which must be observed prior to embarking on such an overrun. These procedures are contractual matters and as such come under the cognizance of the contracting officer. If he feels that in this case such an overrun can be legally allowed from a contractual viewpoint, I will raise no objections from a technical viewpoint.

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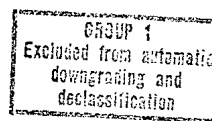
[ ]  
TSSG/ESD/EL

Attachment: as stated above.

Distribution:

- Orig. - TSSG/ESD/Ch
- 1 - TSSG/ESD
- 1 - TSSG/ESD/EL (file)

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6 June 1969

## MEMORANDUM FOR THE RECORD

SUBJECT: Overrun on [ ] Task Order 22 (Image Analysis Program)

25X1

1. The purpose of this memorandum is to state the pertinent factors related to the overrun on the Fiscal Year 67 Image Analysis program with [ ]

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2. Appendix A is a copy of the document forwarded to me by [ ] OL/PD/CA&SB/CSS, for approval authorizing payment for the overrun. It carries as attachments the formal request from [ ] for payment of the overrun plus a breakdown of the overrun. This document, received by me on 7 May 69 was my first indication that any portion of the overrun was attributable to direct labor at [ ]

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3. There was no notice of potential overrun during the term of the contract. The earliest mention of an overrun appeared in a letter dated 21 March 68. The contract ended 1 February 68 seven weeks before this date. The letter is attached as Appendix B.

4. [ ] (a subcontractor on the same program) was caught in a similar overrun situation. By mutual agreement between [ ], and [ ] former Contracting Officer for NPIC, [ ] was allowed to claim that portion of the overrun attributable to increased overhead and G&A rates (approximately [ ]) but was not allowed to claim that portion attributable to overspending on direct labor (approximately [ ]). This conversation took place at the time of contract negotiations on 27-28 May 68 for a follow-on contract. The overrun claimed in Appendix A referring to the [ ] subcontract overrun reflects this philosophy.

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SECRET

GROUP 1  
Excluded from automatic  
downgrading and  
declassification

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5. Appendix C is a copy of a letter sent to me at my request explaining the nature of and reasons for the overrun. No comment is made on any but the fourth paragraph "This additional . . .". At no time was any approval verbal or otherwise given for an overrun nor was the subject even broached prior to the letter of 15 March 69. While the excess costs were discussed, the only direct labor excess cost discussed were those incurred by [redacted] I had the understanding that the overrun by [redacted] were attributable solely to overhead and G&A. [redacted] concurs with these statements.

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6. [redacted] TSSG/SSD/FB, during a telephone conversation stated that there are no funds left in the FY 67 R&D budget to cover the overrun.

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[redacted]  
TSSG/ESD/EL

Attachment: Appendices A,B,and C

Distribution:

Orig. - TSSG/ESD/EL

1 - TSSG/ESD/Ch

1 - TSSG/ESD

1 - TSSG/ESD/EL

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APPENDIX A

Date: 23 March 1969

TO :

FROM :

REFERENCE :

CONTRACT NO. :

1. The above referenced information is forwarded to your office for your technical review, evaluation and determination as to recommended procurement action.

2. Funding of the above Contract was originally accomplished under Reqn. No. 7155-0000-07, Voucher No. (Form No. 2420) Attachment No. 7155-0000-4104.

3. Your response within ten (10) days from the date of this memorandum is requested. Should you foresee a delay in processing your reply beyond a ten (10) day period, please notify

4. If procurement action is desired, please complete and return the original and one copy of this form with the following information:

Contract No.	
Amount	
Date	
By	
For	
Remarks	

APPROVED: \_\_\_\_\_

Certified Funds Available

Amount

Date

Attachment:

Distribution:

Orig &amp; 2 - Addressee w/att (Contractors Letter dated 31 Dec 68)

1 - Contract File w/orig correspondence

1 - Follow-up

01/20/1969/023 (24 Mar 69)

**Page Denied**

31 December 1968

Attention:

Contracting Officer

Subject:

Task Order No. 22

Gentlemen:

In accordance with our previous letter of 29 July 1968 regarding the amount of the overrun on subject contract, we estimate the total overrun to be

This estimate is based on our fiscal year ending book rates.

Enclosed herewith is Attachment A which shows a breakdown by element of cost contributing to the total overrun.

The final negotiated overhead and G&A rates could have a slight downward effect on the total overrun inasmuch as the cognizant Government auditors, DCAA, have not reviewed fiscal years 1967 and 1968 as of this writing.

We trust that the above information will be favorably received and that the overrun will be funded.

Please do not hesitate to contact the undersigned if clarification or additional information is desired.

Sincerely yours

Contracts Manager

RJT/db

Enclosure

Excluded from automatic downgrading and declassification.

**Page Denied**



APPENDIX B

This Document Consists of 1 Pages.Copy No. 1 of 3 Copies.

21 March 1968

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Attention:

Contracting Officer

25X1

Subject:

Task Order No. 22

25X1

Gentlemen:

Reference is made to your letter dated 1 March 1968 regarding Article 9 of the Basic Agreement 4147-65 entitled "Limitation of Cost".

We have requested a best estimate as to the total estimated cost to be incurred by our subcontractor [ ] and as of this writing we have not received a reply.

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As a result, we cannot be specific as to the exact amount of the overrun, but it is anticipated that the total cost to be incurred on the subject contract will exceed the target cost by approximately [ ]

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[ ] This estimate is based on our most recent projection of Overhead and G&A rates for FY '68.

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We will forward a more accurate estimate as soon as possible.

Please do not hesitate to contact the undersigned if clarification of the foregoing is desired.

Sincerely yours,

25X1

Contract Administrator

RJT/db

GROUP-1

Excluded from automatic downgrading and declassification.

APPENDIX C

8 May 1969

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Attention: John C.

Subject:

Task Order No. 22

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Gentlemen:

In response to your recent request regarding the overrun of direct cost on the subject contract, the following information will justify the additional costs expended during the period of performance of this contract.

The Image Quantizer and Enlarger-Printer instruments delivered under this program required considerably more design and manufacturing hours than was originally anticipated. This was due to the complexity and technical difficulties of the instruments. This additional cost was necessary in order to successfully complete the technical requirements of the program.

Secondly, the guard service cost was initially anticipated to be for a period of nine months instead of twelve months. Also an additional cost per hour due to a wage rate increase occurred during the middle of the program. This increased cost was not taken into consideration at the time of negotiations.

This additional effort was done in good faith based on verbal approval from the Contracting Officer and the Technical Representative. The excess costs incurred were further discussed during negotiations of the follow-on contract and the overrun approved predicated on audit review of booked costs.

A formal written request was forwarded on 31 December 1968 to the Contracting Officer regarding the claim for the total overrun.

We trust the above information will be favorably received and that the overrun will be funded.

Sincerely yours,

25X1